

## Message Text

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PAGE 01 CARACA 02718 171818Z  
ACTION ARA-10

INFO OCT-01 ISO-00 EB-08 /019 W  
-----180716Z 086612 /15  
R 171715Z MAR 77  
FM AMEMBASSY CARACAS  
TO USDOC WASHDC  
INFO SECSTATE WASHDC 6978

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PASS TO OED/MEPD AND OIM

EO 11652 NA  
TAGS: BENC VE  
SUBJ: MAJOR PROJECT: GURI DAM

REFS: CACARACAS 1449, CARACAS 574, CARACAS A-151(1976)

1. SUMMARY: AWARD OF GURI DAM CONTRACT EXPECTED O/A 1 JUNE.  
TARGET ESTIMATE PRICE USED BY THREE US- LED CONSORTIA WAS  
NOT IN COMPLAINE WITH BID SPECIFICATIONS IS DELAYING COMPLETION  
OF EVALUATION OF OFFERS AND SEEMS TO HAVE BAFFLED AND ANNOYED  
SOME EDELCA OFFICERS. EDELCA NEGOTIATING WITH BECHTEL  
REGARDING "PROJECT MONITORING" CONTRACT FOR GURI PROJECT.  
US FIRMS VERY COMPETITIVE IN CAMP CONSTRUCTION  
BIDDING BUT JAPANESE UNBEATABLE IN TURBINES AND HEAVY  
CRANSE. END SUMMARY.

2. ENG EFRAIN CARRERA, CHIEF OF THE GURI DAM PROJECT  
OF ELECTRIVICATION DEL CARONI, C A (EDELCA), INFORMED  
EMBOFF ON 14 MAR THAT THE FINAL DECISION ON THE  
AWARDING OF THAT CONTRACT WAS EXPECTED AROUND 1 JUNE.  
ING CARRERA EXPLAINED THAT OFFERS RECEIVED FROM FIVE  
CONSORTIA ON 9 DEC 76 ARE NOW BEING EVALUATED  
BY EDELCA'S BID COMMITTEE WHICH IS ADVISED BY ENGINEERS  
FROM THE US FIRMS OF BECHTEL AND HARZA ENGINEERING.  
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THE RECOMMENDATION OF THE BID COMMITTEE WILL BE SENT TO  
EDELCA'S BOARD OF DIRECTORS FOR ACCEPTANCE AND, WHEN  
ACCEPTED, THEN TO THE NATIONAL EXECUTIVE FOR FINAL DECISION.  
THIS PROCEDURE IS SPELLED OUT IN PRESIDENTIAL INSTRUCTION  
NUMBER 24 OF 26 JANUARY. 1977 WHICH ESTABLISHES PROCEDURES  
FOR THE HANDLING OF BIDS BY GOV ENTITIES AND STATE-OWNED  
CORPORATIONS.

3. ING CARRERA STATED THAT THE EVALUATION WAS COMPLICATED BY THE FACT THAT THE OFFERS FROM THE THREE AMERICAN-LED CONSORTIA WERE MADE ON A TARGET ESTIMATE BASIS RATHER THAN THE FIXED PRICE BASIS (WITH ADJUSTMENT FOR INFLATION) SPECIFIED BY EDELCA. ING CARRERA STRESSED THAT EDELCA'S DECISION TO SPECIFY BIDS ON THE MODIFIED FIXED PRICE BASIS WAS NOT MADE IN A CAVALIER FASHION. RATHER, IT HAD BEEN RECOMMENDED TO THEM AFTER MUCH STUDY BY HARZA ENGINEERING, THEIR US ENGINEERING CONSULTING FIRM. ING CARRERA SAID THAT EDELCA BELIEVED THAT IT MIGHT BE TRICKED BY A CONTRACTOR UNDER THE TERMS OF A TARGET ESTIMATE OFFER; THEY JUST HAVE NOT HAD ANY EXPERIENCE IN ADMINISTERING SUCH BIDS. IN FACT, EDELCA PLANS TO SPECIFY THE MODIFIED FIXED PRICE BASIS WHEN BIDS ARE LET ON THE "SALTO INFERIORES," CARAUCHI, AND RIO CLARO HYDROELECTRIC PROJECTS(SEE CARACAS A-151, 1976) IN THE EARLY 1980S

4. ING CARRERA SAID THAT EDELCA WAS NEGOTIATING A "PROJECT MONITORING" CONTRACT WITH BECHTEL.

5 ING CARRERA SAID THAT US FIRMS WERE VERY COMPETITIVE IN BIDS FOR CAMP CONSTRUCTION WORK ASSOCIATED WITH THE GURI EXPANSION PROJECT. HOWEVER, THE JAPANESE WERE UNBEATABLE IN THE BIDS ON THE TURBINES (HITACHI TURBINES ARE "THE BEST IN THE WORLD" ACCORDING TO CARRERA) AND POWERHOUSE CRANES. THERE WERE NO GREAT DISCREPANCIES BETWEEN JAPANESE (HITACHI) LIMITED OFFICIAL USE

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AND GE CANADA BIDS ON THE TEN 700 MVA GENERARTOR SETS SO EDELCA DECIDED TO BUY FIVE FROM EACH SO AS NOT "TO PUT ALL OUR EGGS IN ONE BASKET."

6. COMMENT: THE WINNER OF THE GURI CONTRACT APPEARS STILL TO BE UP IN THE AIR. NEVERTHELESS, ONE THING SEEMS CLEAR. THE US-LED CONSORTIA HAVE PREJUDICED THEIR CHANCES BY NOT COMPLYING WITH THE MODIFIED FIXED PRICE BID SPECIFIED BY EDELCA. IT MAY BE THAT THE POSITIVE ELEMENTS OF THE OFFERS FROM THE US-LED CONSORTIA ARE SUCH THAT THEY MORE THAN COMPENSATE FOR THE NON-COMPLIANCE IN THE ESTIMATION OF PRICING. HOWEVER, ALL THE EDELCA OFFICIALS CONTACTED BY THE EMBASSY REGARDING THIS BID SEEM BAFFLED AND ANNOYED THAT THE US-LED CONSORTIA WERE NOT MORE RESPONSIVE TO EDELCA'S BID DOCUMENTS. VAKY

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## Message Attributes

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